



P.O. Box 157, 400 Main Street, Paris, Kentucky 40362-0157 859/987-1795

April 8, 2002

John T. Korsmo, Chairman
Federal Housing Finance Board
1777 F. Street, NW
Washington, D.C. 20006

Dear Chairman Korsmo,

A public hearing has been scheduled for April 11 to receive input on proposed capital plans. The purpose is to discuss how the plans will be consistent with the ideal of a cooperative structure and provide safety and soundness. The specific topic of concern identified is the use of excess stock from one member to support the activities of other members. I hope you will consider my comments on this.

Currently our capital is not permanent. In the future it will be. This requires us to address capital issues in a different way. That transition is what Graham-Leach Bailey directed all of us to do. If we all look at capital in the future the same way we did in the past, the transition has not been made.

The plan developed by the Cincinnati bank is a transition from current practice. If the new plan is advantageous to virtually all members, it meets the test of supporting the cooperative structure. We have one group of members who have excess stock they don't want to redeem because it will cause them adverse tax consequences. There are other members who have little or no excess stock, and would benefit from periodic opportunities to engage in mission activity accompanied by the "bargain" of a reduced stock purchase requirement. The plan proposed gives each of these groups of members the advantage sought. To me this is very consistent with the ideal of a cooperative structure because it meets the different needs of different members.

I don't believe the Cincinnati plan presents any safety and soundness problems. Once capital becomes permanent, membership withdrawal requires a five year notice. This long period gives the bank plenty of time to make balance sheet adjustments should a membership loss occur. During that time the plan is to continue with stock dividends, which will add more capital. It is hard to imagine a situation so severe the bank couldn't adjust within five years. This should be one of the benefits of permanent capital compared to our present situation.

In summary, the Cincinnati plan to me proposes an appropriate transition to the era of permanent capital. It is my hope you will approve it.

Sincerely,

A handwritten signature in dark ink, appearing to read "Buckner Woodford", is written over a faint, circular embossed seal.

Buckner Woodford
President

Winchester
859/744-1632

Georgetown
502/863-9400

Versailles
859/873-9400

Nicholasville
859/885-6028

Cynthiana
859/234-3365

N. Middletown
859/362-4554

Wilmore
859/858-3993